

BACKGROUND

For several years the National Association of Graduate and Professional Students (NAGPS) has been working to restore the tax exemption of scholarships used to pay room and board. Consequently, H.R. 3412 has been introduced and sponsored in the 109th Congress in the House of Representatives. H.R. 3412 is also known as the Higher Education Affordability and Equity Act (HEAEA), and not only does it include the tax exemption for scholarships, but it also increases the deductibility of educational loans and increases the limits for deposits to education savings accounts. All of these measures will help students undertake and complete both undergraduate and graduate & professional education.

This resolution expresses the support of the Graduate and Professional Student Assembly (GAPSA) for the HEAEA, encourages the support of this legislation from all Minnesota Legislators, asks all Minnesota Representatives to co-sponsor the bill, and asks all Minnesota Senators to sponsor a companion bill in the Senate.

RESOLUTION

Graduate and Professional Student Assembly (GAPSA) – University of Minnesota

Date: November 9, 2005

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Topic: Higher Education Affordability and Equity Act

WHEREAS the HEAEA will make student loan interest fully tax-deductible and raise the income threshold for taking the deduction from \$65,000 to \$115,000 for individual and to \$230,000 for joint filers; and

WHEREAS the HEAEA will change the tax code to treat room and board as a “qualified educational expense” when paid from a scholarship, broadening the tax-exempt status of graduate and professional students and others with scholarships; and

WHEREAS the HEAEA will increase the allowed contribution to tuition savings accounts from \$2000 to \$5,000 per year making these savings more useful for those preparing for post-secondary education; and

WHEREAS expanding the deductibility of student loan interest enables a significantly larger number of students to benefit from the reduction in pay-off amount of student loan debts they incur in pursuit of their education; and

WHEREAS the current deduction limit of \$4,000 is easily exceeded by professional student debt which now regularly exceeds \$110,000; and

WHEREAS high level of debt discourages students from taking public service and public interest careers; and

WHEREAS students, especially minority and underrepresented students, are discouraged from pursuing higher education by the prospects of high levels of debt; and

WHEREAS the expected return to students from expanding the tax-exempt status of scholarships (\$1000-\$2000 per year) is a substantial sum for most students; and

WHEREAS expanding the tax-exempt status of scholarships restores an exemption that Congress put in place prior to 1986 and that is still allowed for in Section 529 tuition savings plans; and

WHEREAS increasing the contribution limit to education savings accounts allows students to save enough to meet rising tuition costs and avoid incurring costly loans; and

WHEREAS the investment made by the government will increase our nation's human capital, enhancing productivity and economic growth, and thus the government will recoup the investment in long run with the increase in GDP and tax revenues; and

WHEREAS providing incentives, as the HEAEA does, will benefit all Universities, and will not harm any, while allowing students to make the optimal decisions for themselves.

THREEFORE BE IT RESOLVED THAT

GAPSA supports H.R. 3412, also known as the HEAEA.

BE IT FURTHER RESOLVED THAT

GAPSA asks the President of the University of Minnesota to endorse the HEAEA and actively work toward its passage through the House of Representatives and the Senate.

BE IT ALSO FURTHER RESOLVED THAT

GAPSA encourages the support of this legislation from all Minnesota Legislators, asks all Minnesota Representatives to co-sponsor the HEAEA, and asks the Minnesota Senators to sponsor a companion bill in the Senate.